

## **WARNING-UNAPPROVED MINUTES**

*These minutes have not been reviewed or accepted by the RISLA Board of Directors. This draft is being supplied in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.*

The 260<sup>th</sup> meeting of the Rhode Island Student Loan Authority was held on **Tuesday, September 23, 2008** in the 2<sup>nd</sup> floor Conference Room, 560 Jefferson Boulevard, Warwick, Rhode Island. Dr. Anthony Santoro called the meeting to order at 9:12 A.M.

### **Board Members in attendance:**

Dr. Anthony Santoro  
Dr. William Croasdale  
Dr. Robert McKenna  
Mr. John Howell  
Mr. Frank Caprio, General Treasurer

### **Board Members absent:**

Ms. Patti Doyle

### **Others in attendance:**

Mr. Charles P. Kelley, Executive Director, RISLA  
Mr. Noel Simpson, RISLA  
Mr. Joseph Palumbo, Attorney  
Ms. Karen Grande, Attorney  
Mr. Kevan McAleer, RISLA  
Mr. David Souto, RISLA  
Mr. Chad Pastorius, RISLA  
Ms. Gail Walker, RISLA  
Ms. Jennifer Dutch, RISLA  
Ms. Lindie Thibodeau, RISLA  
Mr. Greg Silvia, RIHEAA  
Ms. Gail Mance-Rios, RIHEAA  
Mr. Xay Khamsyvoravong, Treasurer's Office

Dr. Santoro opened the meeting at 12:45PM.

### ***Item #1: Minutes approval***

Mr. Santoro asked if there were any edits or concerns with the minutes from June 6 and June 20, 2008. There were none.

ON MOTION duly made by Dr. Croasdale and seconded by Mr. Caprio, it was unanimously

**VOTED** to accept the minutes from June 6, 2008 and June 20, 2008.

### ***Item #2: Chairman's Report***

Dr. Santoro stated that there was no report.

***Item #3: Executive Director's Report***

Mr. Kelley stated that the bond issue for RIFEL loans issued in May for \$64 million has worked out very well. There is still several million dollars available at the present time. RISLA was able to lock in at a rate of 7.74% for these loans. MEFA was just able to get a fixed rate bond completed with an 8.89% rate. Dr. Santoro asked if the RIFEL Loan volume went up due to the MEFA situation. Mr. Kelley stated that the RIFEL volume did not go up, but it did go up for the PLUS Loans for RI students that attend school out of state. (64% increase).

Mr. Kelley informed the Board that every two years RISLA goes out to bid for Bond Council, so an RFP is being put together to go out to bid soon.

***Item #4: Update on Department of Education***

Mr. Simpson stated that the House and Senate have passed the Higher Education bill. The extended provisions is contingent upon access to the Student Loan Act which provides funding for lenders to draw upon line of a credit from the Department of Education. This is due to expire in September '09, but has been extended to June 30, 2010. The EFC has stated that the bill has not been sent to the President, but he should sign it when it gets to his desk. Dr. Santoro asked if RISLA could hold on to the loans for two years and wait for the market to recover.

***Item #5: College Planning Center Subcommittee Report***

Dr. Croasdale informed the Board that the CPC radio and TV campaign would be continuing in October. The new ad campaign will include both English and Spanish, with hopes of a greater outreach in the Hispanic community. The Bristol contract is good for three years. Dr. Croasdale also stated that 60% of the people we see at the sites are at night.

Dr. Santoro asked if there was any update to another site opening on Aquidneck Island. Dr. Santoro stated that they are still looking at sites.

***Item #6: College Planning Subcommittee public awareness campaign budget***

ON MOTION duly made by Dr. Croasdale and seconded by Mr. Caprio, it was unanimously

**VOTED** to approve the CPC radio and television advertising budget of \$112,000, which includes production costs.

***Item #7: Financial Market Update – First Southwest***

At 1:05PM, Mr. Lee Donner from First Southwest was brought in by conference call.

Mr. Donner stated that she had just talked to the short term desk within the last 30 minutes. The VRDs are being reset at 8-9%. The Federal announcements have counteracted some of the concerns, but details are still being worked out now. The Southwest desk thinks it will settle back down in the early October timeframe. Things continue to be monitored on a day to day basis.

Mr. Kelley stated that State Street was initially at 1.7%, it is now up to 7-8%, with our rate of return in the 4-5% range. There is a lot of window dressing going on because of year end which is causing money market funds to sell their holdings of bonds like RISLA.

Dr. Santoro asked about the \$47 million in GICs as part of the private loan transaction. Should we keep it in there?

Mr. Donner stated that currently it's set up as:

Student loan account - \$59.75 million

Capital account - \$11 million

Deposit account - \$2.56 million

Right now TransAmerica has a very good rating, with both Fitch & Moody's and is on stable outlook.

Mr. Donner stated that the potential cost to breach the contract would be severe. The contract talks about "provision for certain events to occur – a downgrade event".

If a downgrade event happened, one of four things would have to occur:

1. Assign agreement to eligible provider with ratings high enough for Fitch and S&P
2. Secure obligation by collateralizing it (104-105% value of contract)
3. Bring in guarantor that would have to have a AA- rating
4. Take any other action that was mutually agreeable

The estimated costs to terminate the GIC with TransAmerica would be \$700,000 and \$200,000 in legal fees and possibly upwards of \$1 million. Dr. Santoro asked what our exposure could be, and Mr. Donner stated the worst case scenario would be to lose everything. Mr. Kelly asked what our leverage would be to try to get out of this contract, and Mr. Caprio stated that they wouldn't want public exposure of us exiting this. Instead of just sitting back we could at least start discussions with them, and be a little ahead of the curve.

Mr. Donner stated that this could be explored and said initiating talks to solicit financial information and for them to provide us with the latest info could be parlayed into discussions. Mr. Kelley agreed and said he would keep the Board informed as things progress.

#### ***Item #8 – Dexia Bond Resolution***

This item was skipped.

#### ***Item #9 – RISLA Investment Policy***

Mr. Kelley handed out a preliminary SWAP policy as an information only piece.

#### ***Item #10 – Approval of Audited Financials***

Dr. Croasdale thanked the Finance Subcommittee and RISLA staff for all their work on this.

ON MOTION duly made by Mr. Howell, seconded by Dr. Santoro, it was unanimously

**VOTED** to approve the audited financials.

#### ***Item #11 – Update on Private & Federal Loan Volume***

Chad Pastorius handed out an update on private and federal loan volume activity.

PLUS volume is up 43% and RI students attending out of state schools are up 34% on Stafford loans. Approximately 88-90% of RIFEL money has been used so far.

***Item #1 – CPC 10<sup>th</sup> Anniversary Event***

Mr. Kelley asked everyone to mark their calendars for October 21<sup>st</sup> for the event at the Crowne Plaza Hotel at the Crossings.

At 1:47PM Dr. Santoro made a motion to go into Executive Session, seconded by Mr. Howell and approved by entire Board.

At 2:10PM Board meeting was re-opened.

ON MOTION duly made by Dr. McKenna, seconded by Mr. Howell, it was unanimously

**VOTED** to have the Executive Session information remain confidential.

ON MOTION duly made by Mr. Howell and seconded by Dr. McKenna, it was unanimously

**VOTED** to adjourn.

Adjournment occurred at 2:12 P.M.

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John Howell

Secretary